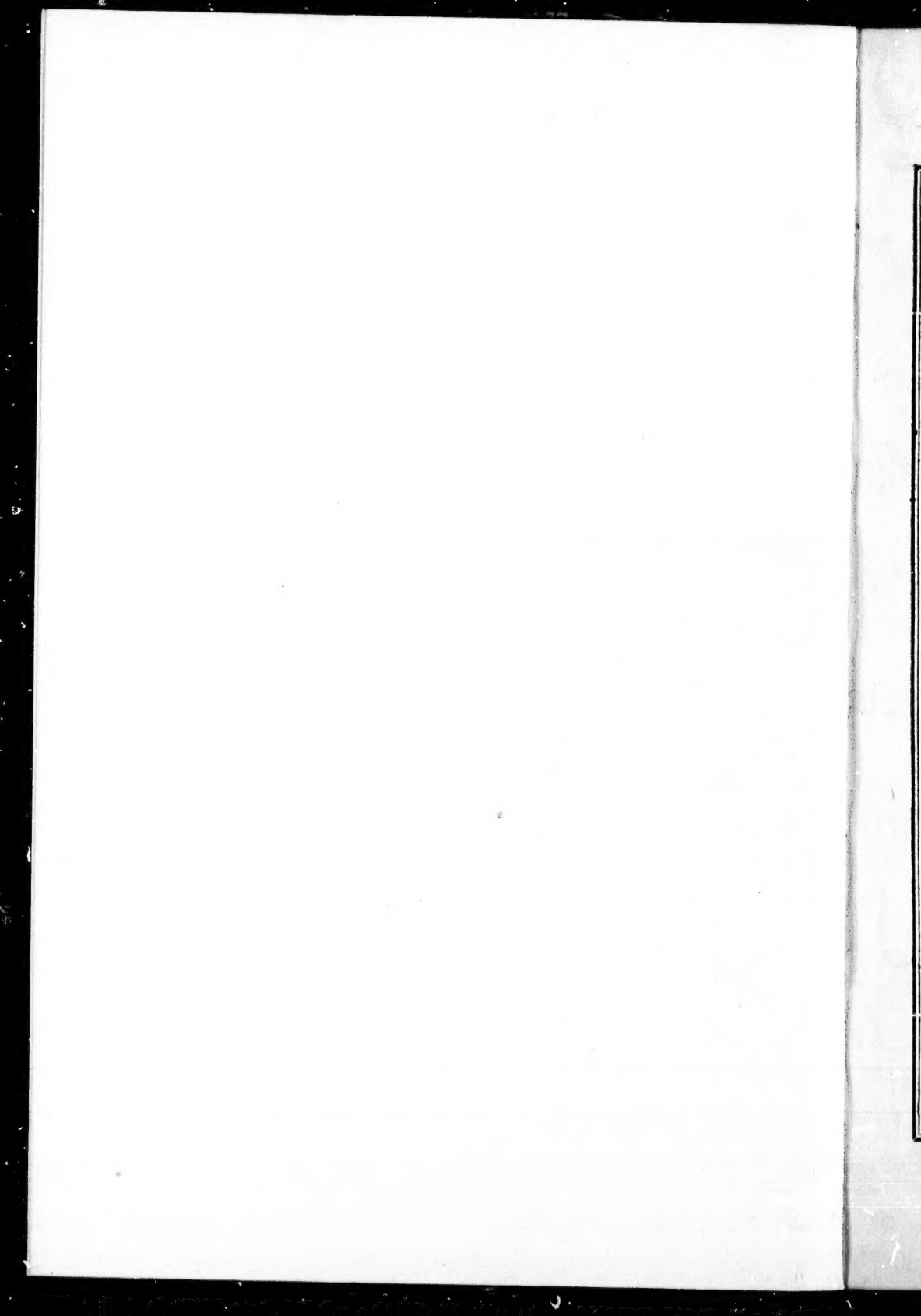




THE
FUTURE COMMERCIAL POLICY
OF
BRITISH NORTH AMERICA,
BEING
AN ESSAY

READ BEFORE THE LITERARY AND HISTORICAL SOCIETY OF QUEBEC, ON
WEDNESDAY EVENING, MARCH 20TH, 1867,

BY
THOMAS HUNTER GRANT, ESQ.,

Secretary of the Quebec Board of Trade.

Quebec :
PRINTED BY MIDDLETON & DAWSON, AT THE "GAZETTE"
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A. X. HENRY

THOMAS HENRY

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"PROTECT INDUSTRY, AND IT WILL PROSPER."

"Such part of the Natural History of Canada as regards wild animals is that which hitherto has received the greatest attention, on account of the commercial advantages derived therefrom. The animals which are to be principally found in our woods, are stags, elks, deer, bears, foxes, martens, wild cats, ferrets, weasels, squirrels, hares, and rabbits. The southern parts, in particular, breed great numbers of wild bulls, divers sorts of roebucks, goats, wolves, &c. The marshes, lakes and pools, with which this country abounds, swarm with otters and beavers, of which the white are highly valued. The commerce in these articles, however, though at present of importance, must of necessity take a second rank, when compared with other branches, which must eventually arise. The productions of agriculture must ultimately be the staple commodities of the country;—and, even now, the fisheries might, with care and attention, be made to yield a return far superior to any derived from the trade in peltries."

Not half a century ago, an English gentleman, compiling a political and historical account of Canada, uttered the above truthful and prophetic language. Though at that time over three hundred years had elapsed since the day when Sebastian Cabot first landed on the south-west shores of the St. Lawrence—though the country had been alternately under French and British rule, and the civilizing influence of christianity had felt its way amongst the people, they had not learnt to

dignify commerce by any other employment than that of hunting bears and foxes, and chasing wild cats and deer. True, the farmer raised his wheat, oats and corn; the fisherman kept the markets supplied with the products of the lakes and streams; and an occasional ship brought to hand what were called English luxuries,—tea, broad cloths and calicoes. Manufacturing, too, was not unknown amongst the people; for we are told that in their own households were made the soap and candles they consumed, the sugar they used, the shoes and moccasins they wore, and the greater part of their clothing. Partial researches into the aspect of the country had led to the discovery of a few iron and copper mines, and slate and marble quarries; still the country, though three centuries old, was yet in its infancy—these were but the germs of its future growth and prosperity. Far-seeing, reflecting men, predicted a successful career; and agriculture and the fisheries were to be the means to this great end.

Who is there to-day that, looking back into the history of those last fifty years, and comparing the past with the present, will not stop in amazement at the rapidity of our growth, the magnitude and variety of our improvements, and the solid character of our progress. Agriculture has, indeed, become the staple of the country, and British America is now enabled with her large surplus to supply cheap food to countries that half a century ago hardly knew of her existence. The fisheries have yielded up their wealth, and the vast waters of this northern continent of ours, from the banks of Lake Huron to the shores of Newfoundland, present a fishing ground unequalled in extent and richness. But these are not the only elements of our success. Commerce has not been idle, but, following in the track of the Mother Country, has extended her march throughout the world, so that British American ships may now be found on every sea, carrying home to us the products of foreign lands. That most important branch of industry—our manufactures—has also contributed in no small degree to our prosperity, and, if properly encouraged, must hereafter prove a source of great wealth to our people.

Four millions of British subjects are shortly to be united under one Government, enjoying all the privileges of a favoured people, and inheriting all the qualities of a race, whose virtues, influence and fame may be heard and felt in every quarter of the globe. In starting on this new career, with a smiling prospect before us, and a powerful arm to support her, the Government of the Dominion of Canada must so shape its policy, and direct its legislation, as to open up every avenue of trade, and foster and strengthen every branch of industry.

What that policy shall be, will be fruitful subject of discussion for some time to come. Various opinions are entertained by leading men in the Provinces as to the best mode of regulating the fiscal laws of the country, so as to stimulate and encourage the many industrial and commercial interests, and at the same time provide for the ordinary revenues. The extraordinary success of free-trade principles in Great Britain, and the great progress that has attended their operations in other countries, as well as the persistent efforts of financial reformers in England to abolish all duties, and resort to direct taxation, render very difficult the task of him who propounds any doctrine of a Protective character. And this is the case with the speaker. Educated by training and judgment to approve and admire the policy inaugurated by Sir Robert Peel, and fully aware of the inestimable benefits which it has conferred on the British people, he finds himself compelled, in view of the future greatness and independence of British America, to select as his motto that which heads this Essay—"Protect Industry, and it will prosper."

It is the opinion of most persons who have given the subject any attention, that the policy which has been pursued in Canada for some time past, of affording incidental protection to native industry, is the one which ought to be followed under Confederation. This opinion I cheerfully endorse, for if the skilful artisan, the respectable mechanic, and the inventive genius of our race, whether emigrant or native born,

are to be induced to settle permanently in British America, we must protect the means by which the fruits of their skill and labour may be made profitable to them and the country. Let us take a glance, then, at the fiscal policy and commercial state of Great Britain, previous and subsequent to 1842, the year in which Sir Robert Peel inaugurated his epoch of financial reform, and see how far it compares with the present condition and future prospects of the British North American Provinces.

The long and expensive wars in which England had been engaged during the latter part of the last and the beginning of the present centuries, and the gross mismanagement and wilful extravagance of the government, had plunged the country so deeply in debt (the American war alone costing one hundred and forty millions pounds sterling), led to the imposition of duties that weighed with destructive force upon all the springs of industry. The first necessities of life—indeed the very essentials—without which it cannot be maintained, are food and shelter; and these, as well as fuel and clothing, were so enhanced in price, as to be placed beyond the reach of millions. The oppressive tax upon corn; the onerous burdens inflicted upon tea, sugar, cheese, butter and beer; the tax on timber and bricks; the prohibitive duties on foreign products; and the enormous excise imposed upon home industry, which some years exceeded in amount the revenue from customs, had so paralysed every branch of trade, as to call forth murmuring notes of discontent from one end of the kingdom to the other. An agitation for the repeal of the corn laws, and the amelioration of other burdens, awakened the attention of the Government, and emboldened the Whig ministry of 1841 to attempt some fiscal reforms. In 1837–8–9–40 there had been a growing deficiency in the exchequer, arising in part from increasing expenditure, partly from decay of trade under bad harvests, and partly (indeed chiefly) from the *restrictions on trade* and the heavy taxes. New debts were contracted,—first by the issue of exchequer bills, then by these being funded and added to the national

debt. In 1840 an Act was passed granting additional duties on customs, excise, and assessed taxes : the additions being five per cent. on customs, except on spirits, grain or flour, imported ; on excise, five per cent. ; and ten per cent. on assessed taxes. This scheme brought no additional revenue ; but a profound truth was put to the proof, namely,—that taxation had a limit, beyond which it cannot be imposed, at which it will summarily arrest consumption. The Whigs, as a last resort, yielded to the demand for financial and commercial reform, by proposing alterations in the duties on corn, sugar and timber ; but they were driven from office, and Sir Robert Peel and his party, as *Protectionists*, admitted instead. Then followed the scheme of that great man to relieve the people from the oppression under which they groaned, and which was followed by a marked improvement in trade and comfort. The income tax was imposed ; and the extension of the four-shilling duty on the exportation of coal, hitherto partial, to all exportations of that article. This would give a revenue ample to supply the deficit, and leave a large surplus, which was to be applied in the largest reduction in commercial taxation ever contemplated by Cabinet or Parliament. Out of twelve hundred articles subject to duties, seven hundred and fifty were to be reduced. The first principle was, the Minister said, to remove prohibitions, and the next to reduce duties on the raw materials of manufacture to five per cent., or less ; on articles partially manufactured to twelve per cent., and on manufactured to twenty per cent.. The beneficial effects of this policy were immediately felt, in the increase of every branch of trade, and a general improvement in the condition of the people. The change did not come too soon ; for it was obvious that, with an increasing expenditure in taxes and food during the war period, from 1792 to 1815, if it had not been for countervailing circumstances of an extraordinary kind, the national industry could not have been sustained under the depression. The many mechanical inventions of the time had increased enormously the productive power of the nation, and by, relatively to food, cheapening

and extending the supply of other necessities of domestic comfort, rendered the payment of heavy taxes possible, which otherwise would have been impossible.

Now, it is the prevailing opinion amongst the great majority of absolute free-traders in this country, that the real cause of the grievances under which the British public laboured, previous to the repeal of the corn laws, was the high price of bread, and the taxes on imports. This is an error. While it must be admitted that the English people suffered considerably from the dearness of bread, caused by the prohibitive duties on wheat, still it cannot be denied that the primary evil which afflicted them was the intolerable burdens imposed on the national industry. Enormous duties were put upon the raw material, running from 50 to 500 per cent., and on the manufactured article an excise so great as to become positively oppressive. The effect of this was to enhance the price of all commodities to the consumer—to deny them to a large portion of the population—to prevent competition and create huge monopolies, and to curtail and limit the productive power of the manufacturer. In addition to this, there was a war of material injuries going on between the Continental states and Great Britain, directed against the importation of foreign commodities, which led to the celebrated Berlin and Milan decrees, preventing, at least as far the influence of France could effect it, any intercourse with England. These were the causes which led to the free-trade policy of Sir Robert Peel, who, although he removed the excise duties on manufactures, and reduced the tax on the raw material, deemed it necessary to maintain a protective duty of from 25 per cent. to 30 per cent. on foreign productions.

Having thus glanced very briefly at the prohibitive and free-trade career of England, let us see how far British America at present compares with her in its adaptability to an exclusively free-trade policy.

At the period of which I speak, the resources of Great Britain had been fully developed, and her productive power

attained to such a degree of perfection, that it struggled for competition in the markets of the world. Extravagant expenditure and costly government had so shackled its free operation, that the very elements of its growth and vigour would have caused its decay if the obstacles to its expansion had not been removed. Under a protective tariff, it had grown and prospered, and, confident in its strength, it sought for freedom of action. In British America to-day quite an opposite state of things prevails. Here, manufactures are in the incipient stages of growth: they are just starting into life. Competition, it is true, is the life of trade, where trade is vigorous, just as the blood is the life of man—the more freely it flows through and permeates the body, the more force and vitality it gives to the system. But new enterprises, in a young country especially, require the aid of a fostering government, just as the sapling needs care and nourishment until it is strong enough to stand alone. While competition in England has not only carried her productions all over the world, but, by the introduction and perfecting of skilled labour, has considerably improved them; competition in these Provinces would destroy native industry, because we have not the power to compete with older and wealthier countries, such as Great Britain, France, Germany, and the United States. The chief elements of a manufacturing trade, according to the old political economists, are capital, labour, and material; to which must now be added—skill, and steam power. In every one of these essentials, we are excelled by the countries just named. Even Russia, great and powerful as she is, is obliged, in self-defence, to maintain a tariff so high, that it almost amounts to prohibition.

It will be conceded, without argument, that we are very deficient in capital; and this is one of the chief obstacles we have to contend with. England, on the contrary, has more money than she can profitably employ at home, and is obliged to seek investment abroad. In England, too, money can be obtained at less than one-half what it can be procured for in Canada. In France, a mechanic of small means and good character

can obtain a loan from the Bank of France, the Savings' Department of that institution having been specially established by the Emperor to facilitate the enterprise, and encourage the industry of the respectable artisan. To-day there is not sufficient capital in British America for its legitimate wants, and in a number of instances many a promising undertaking has failed through want of means to support it. From this cause, competition amongst ourselves—a most desirable thing to cultivate—has been suspended, and in several branches of trade there is to be found an almost entire monopoly.

As regards labour, and skilled labour, especially, the manufacturing nations of Europe have a decided advantage over us. The amount of poverty prevailing everywhere, the number of poorhouses and benevolent societies existing in all the chief cities, are convincing proofs that the supply of labourers far exceeds the demand; and, in Germany and England particularly, the wages which the workman receives are so small as barely to enable him to keep body and soul together. As regards the cost of production, labour is the chief item, and this is obtained at so low a rate from amongst the teeming populations of the old world, and in England especially, that competition is reduced to a minimum. In British America there is no absolute scarcity of labour; but, owing to the superior condition of the people, the effect of constant high wages in the United States, and the numerous and varied resources open to the working man on this continent, he can always command a much higher rate of wages. Thus, in addition to the scarcity of capital, or the excessive rate of interest, which the manufacturer is compelled to pay for its use, he has to contend against the additional disadvantage of a much higher rate of wages. This, however, is not a matter of regret; for if the manufacturing interests on this continent are to be fostered by sacrificing the comfort and happiness of the artisan, as they are in the old world, it were better we had no manufactories at all. Such, nevertheless, are the difficulties they have to

encounter at present, that if the existing protection were removed, a reduction of wages would be the immediate result ; and with heavy annual expenses and a large public debt, which Confederation will rather increase than diminish, there is no possible chance of relief by a reduction of the duties upon imports. There is also, in connection with this subject, the question of skilled labour. During the last twenty years a marked revolution has taken place in the quality of the labour employed in the factories of the world. Industry is not now supported by mere manual labour, but by a competition of intellect. The scientific principles involved in manufactures are taught in schools, which are to be found in every town in Europe ; while each metropolis can boast of an industrial university, teaching the alphabet of science, as applied to manufactures. In England, foreign talent has been employed to a great extent, and skilled artisans from France, Belgium and Germany may be found in all the chief factories of Manchester, Birmingham, Sheffield, &c. In the present state of our manufactories in these Colonies we cannot afford to import designers to produce patterns, and pay them liberal salaries ; and our own mechanics, as a general rule, do not possess the scientific knowledge that will qualify them to originate improvements in management, skill and execution. For a time, therefore, we must be content to follow and imitate—to send our capital abroad as a premium to that intellectual progress which we should enjoy at home. Here, then, is another barrier to the successful development of our industrial interests under an absolute free-trade policy,—and it is a barrier so formidable that it becomes the duty of the Government to remove, if they would promote the future prosperity of the country. An able writer of the present day says, on this question :—" If the main object of life were to fabricate *litterati*, I would not dispute the wisdom of making classics the groundwork of our education. They are not utterly dead, but, like the dry bones of the valley, they may come together, and have breathed into them the breath of life. Classical literature and exact science are, however, wholly

antithetic. If classical literature be sufficient to construct your spinning-jennies and bleach your cottons, your system of instruction is right; but if you are to be braced, and your sinews strengthened, for a hard struggle of industry, is it wise that you should devote poetry, while your competitors eat that which forms the muscle, and gives vigour to the sinews? With such different trainings, who in the end will win the race?" How can we, as a nation, expect to carry on those manufactures by our sons of industry, when we do not teach them the nature of the principles involved in their successful prosecution? The progress of science and industry, in countries which have reached a certain stage of civilization, ought naturally to be synonymous expressions, and hence it follows that it is essentially the policy of a nation to promote the one which forms the springs for the action of the other.

Manufacturing industry is one of the primary conditions on which our social system is based. Providence, in his beneficence, causes the earth to yield a variety of products for the benefit of man, nearly all of which require to go through a process of preparation and manufacture before they can be fitted for his use. Thus the raw material, as it comes from the hand of nature, is so fashioned by the skill and ingenuity of the artisan and the artist as to be converted into articles of great utility and value. England, in the wisdom of her government and people, has cultivated this branch of trade to such an extent, and brought it to so great a perfection, that her ships may be found on every sea, bringing to her shores the material and the ingredients, which she cannot produce at home. The vast extent of her operations, and her never-failing supply of money, enable her to command the markets of the world. Thus it is that, with a constant supply of coal at her very door, to heat her furnaces, the powerful aid of machinery, which she invents and constructs in her own workshops, and the skilled labour of her mechanics, she calls into existence fabrics, utensils, implements, ornaments, and works in every department of science and art, that, for utility, durability and cheapness, cannot be excelled. In British America, though

we are not altogether deficient in the raw material, the resources of the country have not been yet sufficiently developed to enable us to depend on our home supplies. We must still look to foreign countries for nearly all the articles that enter into our manufacturing operations. The machinery for our mills and factories chiefly comes from the United States. True, there exist in the Provinces many foundries and machine-shops; but, compared with those of our neighbours, they are in a somewhat rude and imperfect state. Nearly all the iron consumed in the country, and the quantity is considerable, is imported from Great Britain. Our own mines have not so far been made to yield anything like an adequate supply; and even if they did, we have neither smelting works, nor refining furnaces, to extract the iron and convert it into the raw material. Coal is to be found in abundance in Nova Scotia and Cape Breton; but the quality of the Scotch and English is so much superior, that it is more extensively consumed—an additional item of expense to the manufacturer. In the articles of soap and candles, the ingredients which are chiefly used in their composition—tallow, palm-oil, and wick—are imported from the States; as also corn, which enters largely into the manufacture of starch. As regards leather and wooden manufactures, we do enjoy some advantages, by producing the raw material in the country. Still, though our tanneries turn out good and durable hides, there is also a considerable demand for English and French leathers; and in the article of house-furniture—a most important branch of Canadian industry—hair, damasks, canvas, veneers, springs, glass, varnish, paint and hardware, are all imported. Indeed, so much do these articles enhance the cost of cabinet-ware, that our manufacturers have been unable to compete against the fifteen per cent. duty, which the Lower Provinces have maintained against us. Essential as it may be to establish thorough free-trade between the Provinces, it is unquestionably true that the extension of the principle to other nations would, at present, bring nothing but disaster upon our industry.

In discussing this most interesting question, we must not overlook the fact, that we have at our door a powerful and enterprising nation,—rich in all the varied resources necessary to raise her to the highest point of excellence and prosperity in manufacturing industry. Proud as we are, and ought to be, of the many advantages we enjoy in British America, we must not despise the lessons which the history of that great country teaches us, nor appear insensible to the influence her future career may have upon our commerce. Thirty millions of people, ingenious, intelligent and industrious, inhabiting a country of vast extent and wealth, and with almost unlimited powers of production, cannot possibly remain dependent for any great length of time upon the supplies of a foreign nation. In addition to the many facilities they possess for the prosecution of a manufacturing trade, the natural tendency of the people is to render themselves thoroughly independent of others, and to build up a powerful and permanent industrial interest in the state. With the return of peace, and the re-establishment of open communication with the South, enterprises hitherto abandoned, or newly projected, will spring into life and activity. The protection and encouragement which their manufacturers needed and sought before the war, the war has necessitated, and henceforth a high tariff may be regarded as the accepted policy of the country; and, in addition to the numerous articles produced at present, they will hereafter look more to their own spindles and looms for the finer as well as the coarser fabrics worn by the people. It would be highly interesting, did time permit, to record a brief history of the rise and progress of American manufactures—the policy pursued, and the result to the country. It would give weight and force to this Essay, and present a picture of prosperity unexampled in the history of the world. When it is stated that the United States have a capital of \$200,500,000 in manufactories, employ nearly two million hands, and produce annually the enormous value of two thousand millions of dollars in manufactured articles alone, some idea may be formed of the present extent of that great branch of industry,

and how futile the attempt would be for British America to attempt to compete with her. Why, it is admitted to-day that, notwithstanding the high pre-eminence to which English manufactures have arrived, it is doubtful whether England will be able to maintain her ability to cope with foreign nations. The Americans are becoming powerful rivals. No other country can purchase cotton so cheap—no other country has such extensive water privileges; and the enormous increase in the coke and bituminous coal production and iron ore of the country, are sources of manufacture, that require only capital and enterprise to convert them into mines of wealth, and that must increase her powers of competition to an almost unlimited extent. In addition to all this, the policy of the American Government has been eminently protective. Washington and Jefferson first turned the attention of the people to the cultivation of such articles as formed the basis for domestic manufactures; and from that date (1774) to the present the United States have, with some exceptions, maintained that manufactures were as necessary to their independence as to their comfort, and have directed their legislation so as to foster and promote them. The manufacturing interests in the Union are to-day clamorous for increased protection, and if the tariff bill recently before Congress is passed into law, they will enjoy a discriminating duty of fifty to one hundred per cent. It is clear, therefore, that "British Americans" will not be able, for many years to come, to enter the field of competition with the United States. What, then, is the duty of the people of these Provinces? Let us inquire.

The commercial history of the old world is full of instruction to the new, and one of the most important lessons to be learnt from it is this,—that wherever, amongst an industrious people, manufactures have been established, and science and art have been involved as an element of their progress, that nation which most cultivated them has been in the ascendant. England, France, Belgium and Germany are bright examples of the truth of the assertion, and the growing greatness of the Anglo-Saxon races on this continent furnishes an additional

proof. If, therefore, we would build up and strengthen this new nationality about to be conferred on us; if we would bind together, in bonds which cannot be severed, the affections and interests of the people, and give force and vitality to their energies; if we would create a spirit of self-reliance and independence among our race; if we would offer tangible inducements to the old country artisan to settle amongst us, and give us the benefit of his skill and labour, if not his money,—we must open up all the resources of the nation, and encourage and protect all the varied branches of manufacturing industry. The population of our cities, growing as they are, must be employed; occupation must be afforded, during our long and cold winters, to the large majority of those who inhabit our towns; and the only effectual mode of doing this is by keeping alive the workshop, the factory, and the mill. Absolute free-trade would crush these out, and their ruin would be disastrous to our future welfare. Rich and extensive as are our agricultural lands, the best quality of them are now under cultivation, and the government are nearly sold out. Our timber forests, vast and valuable as they are, cannot last for ever. Like the coal of England, they are doomed to exhaustion; and when that day comes, if our manufacturing industry has been neglected, what shall we give our people to do? This is a serious question for the consideration of our statesmen and intelligent business men. Protection to-day is not the monster it was when England groaned under heavy taxes, and struggled to be free. Protection to-day does not mean enormous excise duties and prohibitory laws. It means, in these Provinces at least, if our rulers are wise, the largest amount of freedom, with the lightest sum of taxation—prudence and economy in the management of the public finances—every branch of commerce unfettered and free from oppressive burdens—freedom of intercolonial trade in the largest acceptance of the term, and a fair, just and moderate protection to native industry. Under such a policy “British America” would continue to advance with rapid strides, and, relying on her own strong arm, and the ever-ruling wisdom of Providence, may we not hope that he who lives to look back upon the next half century will be able to do so with feelings of pride and thankfulness as strong and cheering as those which actuate him who to-day is permitted to review the history of the last fifty years.

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